

Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 ACDA-12 CU-04

OES-07 /109 W

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R 051027Z NOV 77

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 3302

C O N F I D E N T I A L SECTION 1 OF 2 BELGRADE 7670

E.O. 11652: GDS

TAGS: OVIP YO US

SUBJECT: US-YUGOSLAV RELATIONS POST-KARDELJ

1. IT IS TIME TO ASSESS WHERE WE ARE AFTER KARDELJ'S VISIT TO THE UNITED STATES AND SECDEF BROWN'S VISIT HERE. THERE IS NO QUESTION THAT THE ATMOSPHERE IS GREATLY IMPROVED. FROM TOP TO BOTTOM, THE GOY IS FULL OF PRAISE FOR THE NEW ERA IN OUR RELATIONS. AND THERE HAS BEEN SOME MARGINAL IMPROVEMENT IN THEIR TREATMENT OF THE U.S. BUT THERE ARE ALREADY SIGNS OF RAISED EXPECTATIONS, AND THUS RISK OF EVENTUAL SHARP DISILLUSIONMENT -- UNLESS ATMOSPHERIC IMPROVEMENT IS FOLLOWED SOON BY MORE TANGIBLE ACTIONS BY EACH OF US. FOR NOTHING EITHER SIDE HAD DONE TO DATE HAS RESULTED IN CONCRETE MEASURES TO INCREASE TRADE OF INVESTMENT, THE ACTUAL TRANSFER OF A SINGLE WEAPON, AN EXPANSION OF POLITICAL AND CULTURAL EXCHANGES OR CLOSER COOPERATION ON MULTILATERAL ISSUES. THE REAL TEST OF YUGOSLAV AS WELL AS U.S. WILL AND CAPACITY TO FORGE A MORE MUTUALLY BENEFICIAL RELATIONSHIP STILL LIES AHEAD.

2. AS TITO REVIEWS THE MAJOR STRANDS OF YUGOSLAVIA'S INTERNATIONAL POSITION, HE HAS REASON TO BE WELL PLEASED. THE SOVIETS HAVE RECENTLY AGREED TO DOLS 210 MILLION IN NEW
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ECONOMIC CREDITS, THEIR BALANCED BILATERAL TRADE HAS TRIPLED IN LESS THAN A DECADE AND MOSCOW IS SELLING WHAT WE ARE -- AND SHOULD REMAIN-- UNWILLING TO CONSIDER -- SOPHISTICATED MILITARY AIRCRAFT AND SAMS. A QUALITATIVELY NEW RELATIONSHIP HAS BEEN OPENED WITH CHINA. DESPITE SOME PROBLEMS IN THE NON-ALIGNED MOVEMENT, IT STILL PROVIDES YUGOSLAVIA WITH A STAGE FOR INFLUENCE FAR BEYOND THE BALKANS.

AND RELATIONS WITH THE UNITED STATES HAVE A MUCH BETTER TONE.

3. BUT WE HAVE NOTED AMONG YUGOSLAVS IN RECENT WEEKS SIGNS OF NERVUOUSNESS AND CONCERN FOR THE FUTURE. PART OF THIS IS THEIR SCHIZORHRENIC SITUATION VIS-A-VIS THE SOVIET UNION--THE NEED TO EXPAND BILATERAL ECONOMIC AND MILITARY TIES TO FILL A GAP THE WEST HAS NOT RECENTLY BEEN FILLING VS. THEIR FEAR OF THE GROWING DEPENDENCE ON THE RUSSIAN BEAR WHICH THIS IS CAUSING. PART OF IT IS INCREASINGLY OPEN AWARENESS AND CONCERN THAT THE PROBLEMS OF THE POST-TITTO ERA WILL SOON BE WITH THEM. ON THE INTERNAL SCENE THEY FACE OVER THE NEXT FEW MONTHS A ROTATION OF SENIOR PARTY AND GOVERNMENT LEADERS WHICH INEVITABLY STIRS NATIONALISTIC AND FACTIONAL PASSIONS (GOING MUCH DEEPER THAN THE JOVANKA EPISODE.) THEIR ECONOMY IS FACING ONE OF ITS PERIODIC NEEDS FOR BELT-TIGHTENING CAUSED BY A SERIOUS TRADE IMBALANCE--A PROBLEM ACCENTUATED BY THE DIFFICULTIES ENCOUNTERED THUS FAR IN TRANSLATING A SERIES OF FUNDAMENTAL THEORETICAL CHANGES IN THE ECONOMY INTO PRACTICE. AND THE TRADITIONAL REGIONAL DIVISIONS, DESPITE EFFORTS TO CHANNEL NEW INVESTMENT FUNDS TO THE POORER, SOUTHERN REPUBLICS AND PROVINCES, REPRESENT A CONTINUING SOURCE OF DISCORD.

4. THUS THEY MAY NOW BE MORE WILLING TO MEET US HALF WAY THAN HAS BEEN THE CASE IN THE RECENT PAST. KARDELJ'S VISIT CONTINUED AND DEEPENED THE PROCESS BEGUN BY VICE PRESIDENT MONDALE OF
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CREATING GREATER MUTUAL TRUST. SECDEF BROWN THEN SET FORTH SOME MODEST STEPS WE ARE PREPARED TO TAKE IN THE AREA OF MILITARY COOPERATION, WHICH IS SO CENTRAL TO YUGOSLAVIA'S AND OUR OWN PREOCCUPATIONS HERE. BUT THAT VISIT ALSO DEMONSTRATED THE GOY'S PENCHANT FOR EXCESSIVE EXPECTATIONS, REGARDLESS OF OUR REPEATED CAUTIONS AHEAD OF TIME. THERE IS A VERY BIG GAP BETWEEN WHAT THEY WANT AND WHAT WE HAVE SO FAR SAID WE ARE WILLING TO SELL--WHICH MAKES IT IMPERATIVE THAT WE MOVE AHEAD SOON ON AT LEAST ONE MAJOR ITEM AND EXPEDITE LETTERS OF OFFER ON SMALL REQUESTS. OTHERWISE THOS IN THE YUGOSLAV MILITARY WHO ADVOCATE THAT THE SOVIETS ARE THE ONLY RELIABLE PARTNERS (LIKE JOVANKA'S FRIEND GENERAL JOVANIC) WILL HAVE BEEN GIVEN A POWERFUL WEAPON TO USE AGAINST US. AT THE SAME TIME WE MUST MAKE CLEAR TO THE GOY THAT THEY HAVE YET TO DEMONSTRATE CONCLUSIVELY THE EXTENT OF THEIR OWN WILLINGNESS TO ENGAGE WITH US SERIOUSLY IN THIS SPHERE.

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TO SECSTATE WASHDC 3303

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5. BUT THE AREA IN WHICH THERE IS THE MOST POTENTIAL FOR EXPANSION IS ECONOMIC RELATIONS. UNFORTUNATELY THIS IS ALSO THE AREA IN WHICH YUGOSLAV EXPECTATIONS COULD MOST QUICKLY GET OUT OF HAND. WHILE THE YUGOSLAVS ARE TYPICALLY HEARD TO BRING DOWN TO EARTH, AND WHILE THEY HAVE AN ANNOYING HABIT UNMISTAKABLE SIGNS LATELY THAT THEY RECOGNIZE HOW CRUCIAL AN IMPROVEMENT IN THESE RELATIONS IS FOR THEIR ECONOMIC AND POLITICAL INDEPENDENCE. WHAT IS IMPORTANT NOW IS THAT ON OUR SIDE WE DEFINE AND COORDINATE OUR OWN ECONOMIC POLICY TOWARD YUGOSLAVIA, AND TAKE STEPS NECESSARY TO SET UP AN ECONOMIC RELATIONSHIP IN WHICH TRADE AND INVESTMENT CAN DEVELOP OVER THE LONG TERM. IT IS EQUALLY IMPORTANT THAT THE YUGOSLAVS TAKE STEPS IN THIS DIRECTION.

6. THERE ARE OTHER AREAS WHERE WE SHOULD ALSO BE ASKING WHAT HAS CHANGED AND WHAT HAS REMAINED THE SAME, WHAT WE CAN DO TO TAKE ADVANTAGE OF THE NEW ATMOSPHERE AND WHERE WE SHOULD BE ALERT TO THE DANGERS OF YUGOSLAV EUPHORIA. WE SHOULD DEFINE SPECIFIC WAYS IN WHICH THE YUGOSLAVS CAN BE MORE HELPFUL ON MULTILATERAL ISSUES (MIDDLE EAST, KOREA), AND RAISE THESE AT EVERY POSSIBLE OPPORTUNITY. I AM PARTICULARLY STRUCK BY THE NEW OPPORTUNITIES OPEN TO US FOR A SUBSTANTIAL EXPANSION OF POLITICAL AND
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AND CULTURAL DIALOGUE AND EXCHANGE. WE NEED TO GET AT THE LONG-TERM PROBLEM OF YUGOSLAV TREATMENT OF OUR DUAL NATIONALS. EMIGRE TERRORISM IS BOUND TO REAR ITS HEAD AGAIN AND I CONTINUE TO URGE THAT WE DEVELOP A STATEMENT FOR ATTORNEY GENERAL BELL AND SECRETARY VANCE TO ISSUE ON

THIS SUBJECT. AND THERE IS THE QUESTION OF WHETHER IN ORDER
TO GIVE SOME POST-TITO DURABILITY TO THE IMPROVEMENT IN OUR RELATIONS.

WE SHOULD CONSIDER INSTITUTIONALIZING ONE OR MORE DIMENSIONS
IN JOINT COMMISSIONS (DEFENSE, ECONOMIC, SCIENCE AND CULTURE).

7. WE WILL BE ADDRESSING THESE AND OTHER SPECIFIC QUESTIONS IN
SEPARATE MESSAGES.

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